

GLOSSARY OF TERMS

A

Accrued Interest In the sale of a new issue of municipal bonds, the dollar amount, based on the stated rate or rates of interest, which has accrued on the bonds from the dated date, or other stated date, up to, but not including the date of delivery. When a bond is purchased in the secondary market, the dollar amount, based upon the stated rate of interest, which has accrued on the bond from the most recent interest payment date, up to but not including the date of settlement. Accrued interest is paid to the seller by the purchaser and is usually calculated on a 360-day-year basis (which assumes each month has 30 days).

Advanced Refunding The refinancing of bonded debt by the issuance of new bonds prior to the date on which the original bonds can be redeemed. Bonds are considered advance refunded when the refunding bond proceeds are escrowed until the call or due date of the refunded issue. The 1986 Internal Revenue Code restricts the yield which may be earned on the escrowed proceeds of refunding bonds.

Affordable Rent Rent paid by a tenant of a residential unit in a multi-family residential development such that the adjusted gross monthly rent of the residential unit does not exceed 30% of the gross family monthly income of the tenant occupying such residential unit. This determination shall be made in accordance with procedures established by the corporation and (a) at the time of initial occupancy of the residential unit and (b) at the time of each increase of the gross monthly rent with respect to such residential unit.

Amortization The scheduled payment of principal owed, either directly to bondholders or through deposits to a sinking fund. Payments are usually calculated to include interest in addition to a partial payment of the original principal amount.

AMT Bonds The 1986 Tax Code provides for an alternative minimum tax or AMT, separate from regular income taxation, based on certain specified "preference" and "adjustment" items. Because income from governmental bonds is not taken into account when computing the AMT, such bonds are referred to as non-AMT bonds. Thus, bonds issued for some purpose other than qualified governmental use are known as AMT bonds and are normally priced with higher rates of interest to compensate for the tax imposed on investors.

Annual Monitoring Fee The fee charged each Applicant submitting an Application for Financing or Transfer and any subsequent owner for which the corporation issues bonds to finance the Applicant's multi-family residential development. The fee shall be paid each month during the Deed Restricted Qualified Project Period by the owner of the multi-family residential development, or at such other time as the corporation may approve. The annual fee is equal to an amount not less than the greater of (a) an amount equal to .0003 times the amount of the Bonds outstanding on January 1, or (b) \$12 times the number of units in the multi-family residential development, or (c) \$1,200.00.

Arbitrage Arbitrage is an investment process by which a "risky" margin of profit is assured. With respect to municipal bonds, arbitrage refers to the difference between the amount of interest paid on bonds and the earnings derived from an investment of the bond issue's proceeds. Arbitrage profits are permitted on bond proceeds for various temporary periods after issuance of municipal bonds. Internal Revenue Service regulations govern arbitrage of municipal bond proceeds.

Assumption and Transfer Fee The fee charged each subsequent owner applicant concurrently with the closing of any transfer of the multi-family residential development during the deed restricted Qualified Project Period. The fee is an amount not less than the greater of (a) .0025 times the amount of the Bonds outstanding immediately preceding the transfer, or (b) \$10,000.

Authorizing Resolution or Ordinance With respect to an issue of municipal bonds, the document adopted by the issuer which implements its power to issue the bonds. The actual grant of such power may be found in the enabling provisions of the constitution, statutes, charters and ordinances applicable to the issuer. Adoption of an authorizing resolution or ordinance by the issuer's governing body is a condition precedent to validation of the proposed bonds.

B

Balloon Maturity A later maturity within an issue of bonds, which contains a disproportionately large percentage of the principal amount of the original issue. Provision is often made for payment of the balloon maturity by making periodic payments to a sinking fund for the mandatory redemption of specified amounts prior to their stated maturity.

Balloon Payment A principal payment to satisfy a balloon maturity, which is much larger than prior or future principal payments.

Basis Point One hundredth of one percent (.0001). This unit of measure is commonly used in discussions of interest rates. Example: if interest rates increase from 8.25% to 8.50%, the difference is referred to as 25 basis points.

Bid A proposal to purchase an issue of bonds offered for sale either in a competitive offering or on a negotiated basis, specifying the interest rate(s) for each maturity and the purchase price which is usually stated in terms of par, par plus a premium, or par minus a discount.

Blue Sky Laws Common term for state securities law, which vary from state to state. Generally refers to provision related to prohibitions against fraud, dealer and broker regulations, and securities registration.

Bond An issuer's written obligation to repay a specified amount of borrowed principal along with a determined amount of interest at a specified time. Distinguishable from notes because they mature over a longer period of time, bonds may be classified according to their

arrangement of maturities, source of payment, type of issuer, pricing, interest rates or method of interest distribution, credit rating, redemption features, or purpose.

The Bond Buyer A trade paper of the municipal bond industry, published daily (Monday through Friday), as well as having weekly editions. The Bond Buyer contains notices of bond sales and redemptions and information concerning the financial markets and public finance.

Bondholder The owner of a municipal bond to whom payments of principal and interest are owed.

Bond Counsel An attorney or law firm hired by an issuer to render an opinion as to the legality and tax ramifications of a proposed issue of bonds. Bond counsel will typically assist an issuer in the preparation of all required bond election procedures and resolutions, the trust indenture, the official statement, any escrow agreement, any validation proceedings, and tax relation and other closing documents in connection with the bond issue.

Bond Insurance Insurance which guarantees the scheduled payment of principal and/or interest to bondholders. Bond insurance normally provides a lower total borrowing cost to the issuer by improving the credit rating of the bonds insured.

Bond Proceeds The money paid to the issuer by the purchaser or underwriter for a new issue of municipal bonds, used to finance the project or purpose for which the bonds were issued and to pay certain costs of issuance as may be provided in the bond contract.

Bond Purchase Agreement The agreement between the issuer of bonds and the underwriters for the purchase of the bonds, entered into at the time of the pricing of the bonds. The agreement is subject to closing and other conditions stated therein.

Bond Rating Evaluation of a corporation's or state or local government's ability to honor the debt represented by the bonds it issues, made on the basis of the issuers debt level and past payment record, the coupon rate, the security of the assets backing the bonds, and any other relevant data.

Bond Refunding Issuance of additional bonds (and thus the incurring of additional debt) for the purpose of acquiring the funds needed to redeem outstanding bonds.

Bond Resolution or Ordinance The document or documents representing action of the issuer authorizing the issuance and sale of municipal bonds. Issuance of the bonds is usually approved in the authorizing resolution or ordinance, and the sale is usually authorized in a separate document known as the 'sale' or 'award' resolution. All of such resolutions, read together, constitute the bond resolution, which describes the nature of the obligation and the issues duties to the bondholders. State law or local - ordinances may prescribe whether a bonds issue may be authorized by resolution, or whether the more formal procedure of adopting an ordinance is required.

Bond Years Determined by multiplying the number of bonds (based on \$1,000 per bond regardless of actual denomination) time the number of years until maturity, the bond years calculation is used in determining the average life and net interest cost of an issue

Book-Entry Bond A registered bond with ownership recorded with a central registrar and bond depository. Physical delivery of a bond certificate is not available to bondholders.

C

Call A notice to a holder of a bond that the issue is to be redeemed before its normal maturity.

Callable Bond A bond that the issuer reserves the right to redeem before maturity.

Capital Appreciation Bond Long-term tax-exempt security sold at a large discount. Yield is reinvested at a stated rate until maturity at which time the investor receives total payment. Latter represents both principal and interest.

Closing A meeting of involved parties to sign and deliver bonds and related legal documents in exchange for payment from the underwriter(s), a bond closing is usually preceded by a pre-closing meeting where closing procedures and documents are reviewed.

Closing Fee The fee charged each Applicant submitting an Application for Financing or Transfer for which the corporation issues bonds to finance the Applicant's multi-family residential development. The fee shall be paid concurrently with the closing of the financing pursuant to an approved Application for Financing or Transfer, or at such other time as the corporation may approve. The closing fee is a negotiable amount as set forth in the Inducement Resolution which takes into account the size and the complexity of the proposed Bond issuance and is not less than an amount equal to .005 times the amount of the Bonds issued by the corporation. This fee is in addition to the Processing Fee and the Cost of Issuance Expenses.

Conduit Financing In a conduit financing, bonds are issued so that proceeds may be used primarily by a third party. The security for such bonds is the credit of the user rather than the issuer. Generally, such bonds do not constitute obligations of the issuer because the user is liable for generating the pledged revenues. Conduit financing were severely restricted by the 1986 Internal Revenue Code.

Cost of Issuance The expenses associated with the issuance of securities, including the underwriters discount.

Comfort Letter A CPA's letter to underwriter or legal counsel attesting that financial statements submitted in regard to a securities offering are not false or misleading.

Cost of Issuance Expenses The expenses charged each Applicant submitting an Application for Financing or Transfer for which the corporation issues bonds to finance the Applicant's multi-family residential development. The expenses shall be paid concurrently with the Closing Fee or at such other time as the corporation may approve. The cost of issuance expenses are equal to the actual expenses accrued by the corporation in issuing the bonds and include, without limitation, the professional fees and costs defined in Article VII.C of these Rules.

Coupon The interest rate on a bond the issuer promises to pay the holder until maturity, expressed as a percentage of face value. The term derives from the small, detachable piece of a bearer bond which, when presented to the issuer, entitles the holder to the interest due on that date.

Covenant or Bond Covenant The issuer's enforceable promise to do or refrain from doing some act. With respect to municipal bonds, covenants are generally stated in the bond contract, resolution, or indenture. Covenants commonly made in connection with a bond issue include covenants to charge fees for use of the finance project sufficient to provide required pledged revenues (rate covenant); to maintain casualty insurance on the project; to complete, maintain and operate the project; not to sell or encumber the project; not to issue parity bonds unless certain earning tests are met (additional bonds covenant); and not to take actions which would cause the bonds to be arbitrage bonds, i.e., violate IRS regulations concerning levels of permitted investment earnings.

Coverage The ratio of pledged revenues available annually to pay debt service, as compared to the annual debt service requirement. This ratio is one indication of the margin of safety for payment of debt service.

$$\text{coverage} = \frac{\text{pledged revenue}}{\text{debt service requirement}}$$

Credit Enhancement The availability of additional outside support designed to improve an issuer's own credit standing. Examples include bank lines of credit or collateralized funds.

Current Yield The ratio of a bond's coupon rate to its dollar purchase price, expressed as a percentage.

D

Dated Date The date of a bond issue, printed on each bond, from which interest usually starts to accrue, even though the bonds may actually be delivered at some later date.

Dealer A securities firm or commercial bank engaged in the underwriting, trading, or selling of municipal securities.

Debt Ratios Debt ratios are statistics showing the relationship between an issuer's outstanding debt and such factors as its tax base or income. Such ratios are often used in the process of determining credit quality.

Debt Service The amount of money necessary to pay interest and maturing principal on an outstanding debt plus all required contributions to an amortization or sinking fund.

Debt An obligation resulting from the borrowing of money or from the purchase over a period of time of goods or services. Legal definitions of state and local government debt vary from state to state and are determined by constitutional provisions, statutes, and court decisions.

Deed Restricted Qualified Project Period A period ending on the last to occur of: (a) twenty (20) years after the date on which 90% of the units in the multi-family residential development are occupied as defined by the Code, or (b) one-half of the life of the Bonds.

Default Technically, default constitutes some breach of a covenant, promise or duty imposed by a bond contract. The most serious type of default and the most commonly intended meaning of the term occurs when an issuer fails to pay, make a payment of principal or interest when due

Delivery Date Date on which the bonds are physically delivered in exchange for the payment of the purchase price. The date of issuance is the same date as the delivery date.

Denomination The face amount or par value of a bond that the issuer promises to pay on the maturity date. Most municipal bonds are issued in the minimum denomination of \$5,000, although a few issues are available in smaller denominations. Registered bonds may be issued in larger denominations.

Disclosure (Full Disclosure) The furnishing of truthful and complete information relevant to a bond issue, full disclosure is intended to provide a potential investor with important facts to assist in evaluating the merits of the offering.

Discount The amount by which par value exceeds the price paid for a security and which generally represents the difference between the nominal interest rate and the actual or effective return to the investor.

Downgrade The lowering of a bond rating by a rating service, a downgrade sometimes occurs when an issuer encounters major financial difficulties which may be viewed as diluting the credit quality of the issue.

Due Diligence The process of thorough investigation of a bond issue, usually by underwriters counsel. Such inquiry is made to assure that all material facts are fully disclosed to potential investors and that there have been no material omissions or misstatements of fact. The issuer, the obligation of the bonds, and the true obligor in a conduit financing are investigated. Further inquiry may be required if the investigation reveals facts which are incomplete, suspect or inconsistent, whether on their face or in light of other facts known to counsel. Due diligence with respect to municipal securities is not the same process as the more formal due diligence required with respect to corporate debt and equity securities.

E

Energy Conservation Measures The measures to be incorporated into a multi-family residential development shall include, but not be limited to, weatherization, siting

considerations, landscaping and passive energy conservation design features, as described in the Green Building Program. Both excessive glass reflection and the elimination of direct solar gain to adjacent structures will be discouraged.

Escrowed-to-Maturity Bonds Bonds secured by fund placed in an escrow account until maturity.

Exempt or Exempted Securities Issues not subject to the registration requirements of the Securities Act of 1933 or the reporting requirements of the Securities Exchange Act of 1934 are considered to be exempt securities. In general, obligations of the federal government, states, municipalities and other local political subdivisions are exempt.

F

Financial Advisor A "FA" is a firm offering financial consulting services to a governmental entity. FAs are sometimes retained to assist with the issuance of bonds by dealing with matters such as the structuring, timing, and pricing of an issue. FAs are used more often by issuers contemplating a competitive sale of bonds than by issuers who are negotiating the sale of bonds.

Floating or Variable Interest Rate A method of determining the interest to be paid on a bond issue by reference to an index or according to a formula or other standard of measurement at intervals as stated in the bond contract. One common method is to calculate the interest rate as a percentage of the prime rate published by a named financial institution on specified dates. It may also be the interest rate determined by the remarketing agent to be necessary to allow all bonds to trade at par.

Fully Registered A bond which has been registered as to both principal and interest according to the bond contract. Such bonds are payable only to the owner, or to order of the owner, whose name is noted on records of the issuer.

G

Green Building Program The City's program of energy conservation, non-toxic materials, recycling and water conservation measures designed to reduce the ongoing housing cost to consumers.

Governmental Bonds Tax-exempt bonds which do not fall within the 1986 Internal Revenue Code definition of "private activity bonds."

H

Housing Revenue Bond Bond secured by revenues derived from payments made from mortgages which finance single or multifamily housing units.

HUD Acronym for The United States Department of Housing and Urban Development.

I

Indenture A contract between a bond issuer and a bond holder specifying the form of the bond, any property that backs it, the authorized amount of bonds issued, restrictions on the issuer's indebtedness and dividend payments, provisions for a sinking fund and premature redemption, and other pertinent facts.

Inducement Resolution The Board resolution declaring the corporation's intent to issue obligations to provide financing for a multi-family residential development in such form as may be recommended by Bond Counsel.

Interest Compensation for the use of borrowed money.

Interest Rate The annual percentage of principal amount payable for the use of borrowed money.

Internal Revenue Service (IRS) The agency of the U.S. Treasury Department charged with administering the Internal Revenue Code, and collecting income, excise, and other federal taxes.

Investment Banker A firm, or an individual representative Member of a firm, responsible for underwriting municipal securities.

Investment Grade The broad credit designation given bonds which have a high probability of being paid. Such bonds have few, if any, speculative features and are rated at least Baa by Moody's Investors Service or BBS by Standard & Poor's. Bank examiners require that most bonds held in bond portfolios be investment grade.

Issuance The authorization, sale and delivery of a new issue of municipal securities.

Issuer A legal governmental entity, including a state, political subdivision, agency or authority, that borrows money through the sale of bonds or other debt securities.

J

Junior Lien Bonds Bonds that have a subordinate claim against the pledged revenues of the issuer.

L

Legal Opinion or Legal or Approving Opinion The written conclusions of bond counsel that the issuance of municipal securities and the proceeding taken in connection therewith comply with applicable laws, and that interest on the bonds will be exempt from federal income taxation and, where applicable, from state and local taxation. The legal opinion is generally printed on the bond.

Letter of Credit A LOC is an agreement with a commercial bank or savings and loan to honor, subject to specifies conditions, demands for payment of principal and interest owed to bondholders. LOCs can thus be utilized to enhance the credit security for municipal bond issues.

Lower Income Tenants Households of low or moderate income as determined in accordance with the Code, §167(k)(3)(B), whose incomes are less than or equal to sixty percent (60%) of the median income limit of the Austin Standard Metropolitan Area, as determined annually by HUD.

M

Manager The underwriter(s) of a bond issue charged with key responsibilities for structuring and/or marketing the issue. Lead Manager or Senior Manager: a single underwriter serving as head of the syndicate. The lead manager generally handles negotiations in a negotiated underwriting of a new issue of municipal securities and directs the processes by which bids are calculated for a competitive underwriting. The lead manager generally signs contracts on behalf of the syndicate according to the terms of the syndicate account and orders received; Joint Manager or Co-Manager: the terms may be used in two contexts. In a negotiated underwriting, the issuer may appoint multiple underwriters, each of which is referred to as a joint or co-manager. When a large syndicate is composed of several smaller syndicates which may operate as syndicates themselves, each such smaller syndicate will be represented by its manager in the consolidation of the syndicates. Each group's representative is a joint manager of the consolidated syndicated. In either event, one of the joint managers is selected as lead manager.

Marketability The ease or difficulty with which bonds can be sold in the capital market. A bond's marketability depends upon such factors as its interest rate, security, maturity, timing of issuance, volume of comparable issues being sold and credit quality as determined or affected by the lien status, tax or revenue base, and terms of the bond contract.

Maturity The date on which the principal amount or a portion of the principal amount on a debt or obligation become due and payable.

Minority Participation The goal established by the City Code, Chapter 5-7, applied to the corporation and by the corporation's Board in the same manner the ordinance otherwise applies to the City.

Multi-family residential development A multi-family residential development financed or to be financed by the corporation pursuant to the provisions of the Act and within the meaning of the Act, §394.003(13).

Municipal Bonds or Municipals A general term referring to bonds of local government subdivisions such as cities, town, villages, counties, and special districts, as well as states and subdivisions thereof, which are exempt from federal income taxation. Also includes other tax-exempt debt done as conduit financing.

Municipal Securities Rule Making Board (MSRB) An independent, self-regulatory organization established by the Securities Acts Amendments of 1975 and charged with primary rulemaking authority over municipal securities dealers and brokers. Its members represent securities firms, bank dealers and the public, each category having equal representation on the Board.

N

Negotiated Sale The sale of a new issue of municipal securities by an issuer through an exclusive agreement with a previously selected underwriter or underwriting syndicate. A negotiated sale should be distinguished from a competitive sale, which requires public bidding by the underwriters. Primary points of negotiations for the issuer are the interest rate and purchase price, which reflect the issuer's costs of offering its securities in the market. The sale of a new issue of bond in this manner is also known as a negotiated underwriting.

Net Interest Cost (NIC) A method of computing the interest expense an issuer will incur by issuing bonds. NIC is computed by determining the average coupon rate weighted to reflect the time until repayment of principal and adjusted for any premium or discount.

Non-Callable Bond A bond that is not subject to mandatory redemption by an issuer before its stated maturity date.

Note A written, short-term promise of the issuer to repay a specified principal amount on a certain date, together with interest at a stated rate, or according to a formula for determining that rate, payable from a defined source of anticipated revenue. Notes usually mature in less than five years.

Notice for Tenders An invitation by the issuer of bonds, or its representative, for bondholders to offer the issues bonds at a predetermined price, or a price at which the bondholder is willing to sell to the issuer. The notice for tenders usually authorizes the issuer to reject tender offers in whole or in part.

Notice of Redemption A publication of the issuer's intention to call outstanding bonds prior to their stated maturity dates, in accordance with the bond contract.

O

Obligee A person to whom a bond is given.

Obligor A person who gives a bond.

Official Statement A document which discloses significant factual information concerning an issue of bonds, including an issue's purpose, structure, and price, and key financial and demographic characteristics of the issuer. Investors often rely upon information disclosed in the OS to evaluate the credit quality and characteristics of a bond.

Original Issue Discount An amount which represents the difference by which par value exceeds the public offering price of a new issue or part of an issue of municipal bonds. Original issue discount is amortized over the life of the bonds and is generally treated as a tax-exempt interest. When the investor sells the bonds before maturity, any profit or loss realized on such sale is figured on the adjusted cost basis for tax purposes. The adjusted cost basis is calculated for each year the bonds are outstanding by adding the accretion value to the original offering price. The accretion value is determined by the rules and regulations of the Internal Revenue Service. Selling the bonds at a price in excess of the adjusted cost basis would result in taxable gain for the seller, while a selling price below that level would be treated as a loss for income tax purposes.

P

Par Value The amount of principal that must be paid at maturity. Par value is also referred to as face value or stated value and is sometimes indicated by a price quotation of "100" denoting a price equal to 100% of maturity value.

Paying Agent The entity responsible for the payment of interest and principal on municipal bonds on behalf of the issuer. The paying agent is usually a bond or trust company, but may be the treasurer or some other office of the issuer. The paying agent may also provide other services for the issuer, such as reconciliation of the bonds and coupons paid with the sums of money paid to the paying agent by the issuer, destruction of paid bonds and coupons, indemnification of the issuer for wrongful payment, and registration of the bonds.

Point A point is a unit of measure equal to one percent of a bond's par, which is used to state the price of bonds as a percentage of par value. Because bond prices are quoted as a percentage of \$1,000, one point is equal to one percent of \$1,000, or ten dollars. Thus, a bond priced at 100 points is a bond priced at its par value.

Preliminary Official Statement or Red Herring or POS A preliminary version of the official statement which is used by the issuer or underwriters to describe the proposed issue of municipal bonds prior to the determination of an interest rate and offering price. The preliminary official statement is a marketing tool used to gauge buyers' interest in the issue and is relied upon by potential purchasers in making their investment decisions. Normally, no offer for or acceptance of bonds can occur on the basis of the preliminary official statement, and a statement to the effect appears on the face of the document in red print, which gives the document its nickname, Red Herring. Although the preliminary official statement is technically a draft, it must be substantially in the same form as the final official statement, and underwriters are reluctant to permit any substantial changes between the preliminary and the final official statements.

Premium The amount by which the price paid for a security exceeds par value, generally representing the difference between the nominal interest rate and the actual or effective return to the investor.

Premium Call Price The price over par value, expressed as a percentage of par, which the issuer agrees to pay upon redemption of its outstanding bonds prior to the stated maturity date as provided in the bond contract.

Primary Market The market for new municipal securities.

Principal The face amount or par value of a bond or issue of bonds payable on stated dates of maturity.

Prior Issue An outstanding issue of municipal bonds. The term is usually used in the context of refunding to denote the obligations being refinance, sometimes called refunded bonds. It is also used with respect to previous bond issues which normally possess a first or senior lien on pledged revenues.

Private Activity Bonds A bond issued by a municipality when the funds are being used for a non-essential purpose. Private activities for which tax-exempt bonds may be issued include utility systems, airports, landfills, student loans, and small issues of industrial development bonds and nonprofit colleges and hospitals.

Private Placement With respect to municipal securities, the term may be used in reference to negotiated sales directly to institutional or private investors rather than through a public offering.

Put Bonds or Tender Option Bonds Obligations which grant the bondholder the right to require the issuer or a specified third party to purchase the bonds, usually at par, either periodically, at a certain time prior to maturity, or upon the occurrence of specified events or conditions.

Processing Fee The non-refundable fee charged each Applicant submitting an Application for Financing or Transfer. The fee shall be submitted to the corporation with the Application for Financing or Transfer and is (i) in the amount of \$5,000.00 (in the case of a transaction applying for Low Income Housing Tax Credits or a portion of the State Bond Cap, the non-refundable fee is \$1,000.00 with the remaining \$4,000.00 balance due within fifteen calendar days following issuance of the tax credit or bond cap allocation, as applicable, by the State of Texas) for a financing or refinancing application, or (ii) in the amount of \$2,000.00 for an assumption or transfer to a new Applicant. This amount is not credited against the Closing Fee or the Assumption and Transfer Fee, even if Bonds are issued.

Q

Qualified Investments Securities designated by a bond or note resolution as eligible for acquisition using proceeds of the issue. For example, Treasury Bonds and insured bank certificates of deposit might be designated allowable investment for bond proceeds which are to be maintained as a debt service reserve fund.

Qualified Legal Opinion A conditional affirmation of the legality of bonds, before or after they are sold. An unqualified or clean legal opinion, on the other hand, is an unconditional affirmation of the legality of bonds.

Qualifying Tenants Tenants whose adjusted household income does not exceed the income limitations of the corporation, which are automatically adjusted annually immediately upon receipt of revised income determinations from HUD. The income limitations are equal to 80% of the Austin area median family income and are adjusted for family size. Income limits are determined annually by HUD, and are as follows:

Household Size	80% Median Family Income
1	\$36,250
2	\$41,400
3	\$46,600
4	\$51,750
5	\$55,900
6	\$60,050
7	\$64,200
8	\$68,300

R

Ratings The term "ratings" is typically used to refer to independent measurements of a municipal security's credit quality by rating agencies who are paid by the issuer for the service. Ratings represent an attempt to quantify the likelihood of timely repayment of municipal bond principal and interest. The higher the credit rating, the greater the apparent safety and therefore the marketability of a bond. Normally, ratings are first determined prior to issuance based on a request by an issuer. Initial ratings are subject to continuous review and revision based on changes in an issuer's credit position. The information evaluated by rating agencies generally includes demographics, finances and management.

Redemption A transaction in which the issuer pays an outstanding obligation at a specified price, usually at or above par prior to the specified maturity date, or 'calls the bonds,' by giving notice in the manner prescribed in the bond contract. Redemptions may be either mandatory or optional.

Redemption Provision or Call Features The terms of the bond contract giving the issuer the right or requiring the issuer to redeem or call all or a portion of an outstanding issue of bonds prior to their stated dates of maturity at a specified price, usually at or above par.

Refunding A procedure whereby an issuer refinances an existing security by issuing a new security. Refundings usually occur to reduce an issuer's debt service costs or to eliminate undesirable covenants imposed by the requirements of an old security. The net proceeds of refunding bonds are used to redeem the prior debt. If the prior issue cannot be redeemed until a later date, the proceeds of the refunding bonds are invested and held in escrow to pay the prior issue when due (an advance refunding). For accounting purposes a refunded obligation is not ordinarily considered to be part of an issuers debt because proceeds from the refunding bonds provided for payment of the principal and interest owed.

Reserve Fund A fund which may be used to make debt service payments if pledged revenues do not satisfy debt service requirements. A debt service reserve fund may be funded from bond proceeds, separate funds furnished by the issuer, or gradually "funded up" over a period of years. Reserve requirements are often established at a level equal to the lesser of an issue's maximum annual debt service, or 125% of the average annual debt service. The Internal Revenue Code of 1986 limits most bond-funded reserves to not more than 10% of the total principal amount.

Residential Project Financing Questionnaire The questionnaire each Applicant shall file with the Application for Financing or Transfer in such form as required by the corporation.

Restricted Yield Refers to a maximum allowable rate of return, which is generally imposed upon the invested proceeds of a municipal securities issue. The Internal Revenue Code of 1986 requires, with certain exceptions, that the yield on invested proceeds not exceed the rate of interest paid by the issuer to borrow the funds.

Restrictive Covenant The restrictive covenant running with the land that restricts the use of each multi-family residential development during the Deed Restricted Qualified Project Period and covenants that the multi-family residential development will have Accessible

Access, adhere to the Green Building Program, utilize Energy Conservation Measures, and provide Minority Participation.

Revenue Bonds Bonds payable from a specified source of revenue which does not represent a pledge of the full faith and credit of an issuer. Revenue bonds do not permit bondholders to compel general taxation or the appropriation of funds. Revenue bonds are ordinarily backed by a pledge of revenues from the operation of the project which the bonds finance or other special assessments or excise taxes. Where the law permits, revenue bonds are frequently sold through a negotiated underwriting.

Rule 105-b A regulation of the Securities and Exchange Commission, adopted pursuant to the Securities Exchange Act of 1934 which makes it unlawful for any person to employ any devise, scheme, or artifice to defraud; to make any untrue statement of a material fact or to omit a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, misleading; or to engage in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person, in connection with the purchase or sale of any security.

S

Secondary Market The general market for trading bonds which were previously offered and sold.

Securities Evidence of a debt or equity investment in a specific enterprise, including bond, note, mortgage, stock, limited partnership interest, and other negotiable or non-negotiable forms of investment participation.

Securities Act of 1933 (as amended) A Federal law that provides for the registration of securities that are to be sold to the public and for the provision of complete information as to the issuer and the security being issued.

Securities Exchange Act of 1934 (as amended) A federal law that governs the operation of stock and securities exchanges and over-the-counter trading of securities.

Securities and Exchange Commission (SEC) The federal agency that administers federal securities laws. The SEC regulates and oversees all trading in stocks, oversees proxy voting, analyzes market aberrations and the financial reports of corporations listed on American stock exchanges, and enforces the provision of the Securities Exchange Act of 1934 and later legislation bearing on securities, corporate reorganizations, and holding companies.

Serial Bond One of an issue of bonds that have progressive or otherwise differing maturity dates, such that the issuing corporation has several years in which to redeem the bonds.

Settlement Delivery of a payment of a new issue of municipal bonds. Settlement usually occurs within 30 days after the bonds are awarded to the underwriters, which allows for printing of the bonds and the completion of certain legal matters. With regard to the

purchase of a bond in the secondary market, settlement occurs upon payment for the bond, usually five business days after purchase.

Sinking Fund An account, sometimes called a debt service fund, into which the issuer makes periodic deposits to assure the timely availability of sufficient moneys for the payment of debt service requirements. The revenues to be deposited into the sinking fund and payments therefrom are determined by the terms of the bond contract.

Small Issuer Refers to an issuer of bonds if the issuer does not reasonably expect to issue more than \$10,000,000 of certain specified governmental bonds during the Calendar year.

Special Obligation Bonds Refers to that portion of a refunding bond issue which is secured by the interest earnings on U.S. government securities acquired with the refunding bond proceeds. The term is sometimes also used to describe bonds secured by any limited revenue source.

Spread or Gross Underwriting Spread The income earned by the underwriting syndicate as a result of difference in the price paid to the issuer for a new issue of municipal bonds, and the price at which the bonds are sold to the investing public, usually expressed in points or fractions thereof. Spread generally has four components: Expenses: the costs of operating the syndicate for which the lead manager may be reimbursed; Management Fee: usually paid to the lead a manager for providing advisory services to the issuer and for handling the affairs of the syndicate; Takedown: the largest component of spread, similar to a commission, which represents income derived from the sale of bonds. If bonds are sold by a member of the syndicate, the seller is entitled to the full takedown; if sold by a dealer not a member of the syndicate, such seller is entitled only to that portion of the takedown known as the concession or dealer's allowance; Underwriting risk or Residual: the amount paid to each underwriter within a syndicate on a pro rata basis according to the number of bonds each firm has committed to sell without regard to the actual sales made by each member.

Structuring an Issue The process of designing and preparing a bond issue in accordance with an issuer's legal and financial requirements. Factors such as security, redemption provisions, and maturities are defined so as to provide the best accommodation of the issuer's needs and the anticipated marketability of the securities.

Syndicate A group of underwriters formed to collectively purchase a new municipal securities issue from the issuer and offer those securities for resale to the general public. The syndicate is ordinarily established for the purpose of insuring an optimized marketing effort, for sharing the risks of underwriting, and for obtaining sufficient capital to purchase an issue. One underwriter is typically designated syndicate manager or lead manager, while the other managers may serve as co-senior managers or co-managers.

T

Taxable-Equivalent Yield The yield an investor would have to obtain on a municipal bond to match the yield on a taxable bond.

Tax-Exempt Bond Bonds whose interest is exempt from federal income taxation pursuant to Section 103 of the Internal Revenue Code and federal statutes.

Tax Equity and Fiscal Responsibility Act (TEFRA) of 1982 Major federal tax legislation, which resulted in substantially lower tax rates for individuals and made other changes to the Internal Revenue Code and federal statutes.

TEFRA Public Hearing The public hearing required by the federal Tax Equity and Fiscal Responsibility Act of 1982 prior to approval of the Bonds. Notice of such hearing must be published at least 14 days in advance of the hearing, in accordance with federal regulations, and at Applicant's expense.

Term The period over which a bond, debt or obligation is outstanding. Term usually refers to the full period between initial issuance and final maturity.

Term Bond A bond that has the same maturity date as all other bonds of the same issue.

Trustee A financial institution with trust powers which acts in a fiduciary capacity for the benefit of the bondholders in enforcing the terms of a bond contract.

Trust Indenture A contract between the issuer of municipal securities and a trustee, for the benefit of the bondholders. The trust indenture, which is generally a part of the bond contract, establishes the rights, duties, responsibilities and remedies of the issuer and trustee and determines the exact nature of the security for the bonds.

U

Underwriter A securities dealer that purchases a new issue of municipal securities in order to profit from marketing those securities to investors. An underwriter may acquire securities through a process of negotiation with an issuer or by tendering a successful competitive bid.

Underwriters Counsel A law firm retained to represent the interests of underwriters in connection with the structuring and purchase of a securities issue. The duties of underwriters counsel often include review of an issuer's bond resolution, preparation of an official statement, and the tendering of a due diligence opinion.

Upgrade The raising of a bond rating by a rating service due to a determination of an improvement in the credit quality of the issue. The term is also used separately in reference to the replacement of one bond in an investor's portfolio with a bond of similar characteristics by higher quality.

V

Verification A report or opinion prepared by a certified public accountant verifying that the moneys and securities deposited with an escrow trustee in connection with refunded bonds are sufficient to pay principal of, any premium on, and interest on, such refunded bonds at the time(s) specified in the escrow agreement.

Very Low Income Tenants Households of low or moderate income as determined in accordance with the Code, §167(k)(3)(B), whose incomes are less than or equal to fifty percent (50%) of the median income limit of the Austin Standard Metropolitan Area adjusted for family size, as determined annually by HUD.

Y

Yield Curve A graph which plots the yields on securities with equivalent quality but different maturities, at a given point in time. The vertical axis represents the interest rates, while the horizontal axis depicts the years to maturity. The term structure of interest rates, as reflected by the yield curve, will vary according to market conditions, resulting in a variety of yield curve configurations.

Z

Zero Coupon Bond A bond which pays no interest but is issued at a deep discount from par, appreciating-to its full value at maturity.